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EMPLOYEE PARTICIPATION IN EUROPE*

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Abstract

The goal of this study was to identify the determinants of employee participation in organizations across Europe. Power distance, uncertainty avoidance, competition, unionisation, sector, organizational size and business strategy were all expected to influence amount of employee involvement. The hypothesised relationships were contrasted using data from the EPOC survey, a representative survey of over 5,700 organisations located in 10 European Union countries. The results supported all but two of the expected relationships. Power distance and organisational size did not predict amount of participation. A closer look at the relationship between organizational size and employee involvement revealed a significant relationship when type of participation, consultative or delegative, was included in the analysis.

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Introduction

Despite growing interest in employee participation in the U.S., there is less known about the adoption of such practices in Europe. In this paper we provide empirical evidence regarding the practice of participative management in Europe. We propose a number of hypotheses regarding the determinants of amount of employee involvement across organisations. The proposed determinants of level of participation include national culture, competition, unionisation, sector, organisational size and strategy. We contrast our hypotheses using data collected from 10 European countries in a very comprehensive survey called EPOC¹ (Employee Direct Participation in Organisational Change).

Employee Participation

The importance of employee participation as a business strategy was first stressed in the late 1920s and early 1930s. The Hawthorne studies (Mayo, 1933; Roethlisberger and Dickson, 1939) gave rise to an increasing interest in the human determinants of productivity. The ‘human relations’ approach to management emphasised the importance of communication between employees and their superiors. The lack of strong empirical support for these theories, however, turned initial enthusiasm into mild scepticism (Anthony, Perrewe and Kacmar, 1993). More recently management practice has kindled a renewed interest in this issue. This is due to growing evidence that employee participation increases effort, which subsequently improves efficiency and productivity, it reduces the cost of monitoring employees and it leads to increased commitment (Doucouliagos, 1995).

There is no clear consensus as to the definition of employee participation. It is a process that involves employees in the sharing of information and/or making of decisions. Participation may be direct or indirect. Direct participation involves the employees themselves, whereas indirect participation takes place through an intermediary of employee representative bodies, such as works councils or trade unions (EPOC, 1997). Two main forms of direct participation include consultative participation and delegative participation (Geary and Sisson, 1994). Consultative participation refers to practices where management encourages employees to share their opinions regarding work-related concerns, yet retains the right to make all final decisions. Examples of consultative participation include regular meetings with supervisors, attitude surveys and employee suggestion plans. Delegative participation, on the other hand, gives employees increased responsibility and autonomy to organise and perform their jobs as they see fit. Employees participate directly in work decisions (Cotton, Vollrath, Froggatt, Lengnick-Hall and Jennings, 1988). Forms of delegative participation include scheduling of work, improving work processes and attendance and absence control.

Two theoretical models address the potential advantages of direct employee participation. According to cognitive models of participative effects (Anthony, 1978; Frost, Wakely and Ruh, 1974; Miller and Monge, 1986), employee involvement increases the flow of information in organisations. Often employees performing seemingly unimportant tasks have access to valuable information. Higher-level managers are more likely to gain access to this information through participative management practices. Therefore, practices that encourage employees to more freely share information lead to higher levels of performance (Lawler, 1986; Lawler, Mohrman and Ledford, 1995).

Affective models of participative effects (Blake and Mouton, 1964; Likert, 1967) originated with the aforementioned 'human relations' school of management. They propose that employee involvement fulfils higher-order needs which leads to greater satisfaction. Higher levels of satisfaction in turn strengthen motivation, which has a positive effect on productivity (Miller and Monge, 1986). Thus, cognitive models propose that employee participation affects productivity directly by increasing the flow of information in organisations, while affective models propose that employee participation has a direct effect on employee satisfaction, which may in turn increase productivity.

Determinants of Employee Participation

There has been a considerable amount of research regarding employee participation. Most of the studies have focused on the outcomes of participative management. Evidence of this comes from the number of meta-analyses that have been conducted in order to summarise the findings of participation's effects on outcomes such as satisfaction and performance (Doucouliagos, 1995; Miller and Monge, 1986; Wagner, 1994). In general, the results suggest that employee involvement has a small yet consistent effect on satisfaction and performance (Wagner, 1994). Despite this plethora of studies, there is little known as to which factors determine the level of employee involvement than an organisation will likely adopt. The goal of this study is to do just that: to explore the determinants rather than the effects of the adoption of employee participation practices.

Employee participation may be determined by a number of different factors. We focus on the following potential determinants. First, we believe that the national culture in which the organization is located will influence levels participation. Second, we

propose that characteristics of the business environment, specifically the level of competition and the percentage of employees that belong to a trade union, will affect the amount of employee involvement. We also expect to find a relationship between sector and amount of participation. Finally, we believe that an organisation's size and business strategy will be related to the level of participative management that a given organisation adopts.

Below we describe in more detail the predicted relationships and propose a number of hypotheses.

National Culture

National cultures are a powerful force in explaining organisational behaviour (Boyacigiller and Adler, 1991; Child, 1981). Hofstede (1980) argued that 50 percent of the differences in employee's attitudes and behaviours could be explained by national culture. In a study of management styles among five plants belonging to the same multinational corporation, Pavett and Morris (1995) discovered that the plants located in the U.S. and England used significantly more participation than did the plants in Mexico, Spain and Italy. There are two specific dimensions of national culture that may explain differences in use of employee participation: power distance and uncertainty avoidance.

Power distance is the extent to which the members of a society accept that power is distributed unequally. In high power distance countries employees show a great deal of respect for those in authority. They are afraid to express disagreement with their managers and tend to prefer bosses with autocratic decision-making styles. In small power distance countries subordinates have limited dependence on their boss and there is a preference for consultation (Hofstede, 1991). Accordingly we expect:

Hypothesis 1: *The level of power distance in the country where an organisation is located will be negatively related to amount of participation.*

Uncertainty avoidance is the extent to which members of a society feel threatened by uncertain or unknown situations. In high uncertainty avoidance countries employees tend to feel more stressed at work, they prefer rules and regulations that help reduce ambiguity, and they demonstrate low job mobility. Individuals in a high uncertainty avoidance society feel comfortable in highly structured environments and tend to want to avoid conflict (Hofstede, 1991). Following Heller, Pusic, Strauss and Wilpert's (1998: 46) suggestion that "participation leads to ever-increasing demands to cope with uncertainties and the potential of manifest conflict," we predict:

Hypothesis 2: *The level of uncertainty avoidance in the country where an organisation is located will be negatively related to amount of participation.*

Competition

The increasingly competitive environment faced by organisations has caused them to re-evaluate their structures and employee relations. This has been one of the main influences on the rise of participative management (Hyman and Mason, 1995). Lawler *et al* (1995) reported that foreign competition, rapidly growing markets and extreme performance pressures are all strongly related to the adoption of employee involvement practices. Clearly companies that operate in highly competitive environments must maximise their productivity and recent meta-analyses have shown

that employee participation is positively related to productivity (Doucouliagos, 1995; Miller and Monge, 1986). Thus we expect:

Hypothesis 3: *The level of competition faced by an organisation will be positively related to amount of participation.*

Union Membership

Trade unions have historically been suspicious of participative management practices. They feared that increased employee involvement would draw employees away from the union and thus weaken their power (Eaton and Voos, 1992). Employee involvement blurs formerly demarcated management/union roles. Given that the traditional role of unions has been adversarial, they have resisted the acceptance of common objectives and co-operation required of employee involvement programs. Some unionists view participative management as a negative initiative wherein employees take on more responsibility and more work for the same pay (Heller *et al*, 1998; Hyman and Mason, 1995).

The competitive environment has caused trade unions to become more tolerant of employee participation. Nonetheless, while participative management is now included in union rhetoric, it remains a low-priority demand (Heller *et al*, 1998). The results of a longitudinal survey of U.S. companies showed that unionised organisations are less likely to adopt most types of employee involvement practices (Lawler *et al*, 1995). This is not surprising given that strong unionisation is often a sign of poor employee relations and “participation rarely takes root when overall relations are hostile” (Heller *et al*, 1998: 114). Therefore we predict:

***Hypothesis 4:** The percentage of employees who are union members will be negatively related to amount of participation.*

Sector

Heller *et al* (1998) attribute the spread of participation in part to the growth of the service industry. They point out that service employees' attitudes, unlike those of manufacturing employees, are "an essential part of the 'product' they provide" (Heller *et al*, 1998: 12). Given that participation has been shown to be positively related to satisfaction, one would expect higher levels of participation to lead to better service quality. A number of companies have, in fact, discovered that employee satisfaction is related to customer satisfaction (Yeung and Berman, 1997). Hyman and Mason (1995: 44) observed that managers in the service sector, in contrast to the manufacturing sector, must "gain more than mere compliance from their subordinates". Thus, there seems to be agreement that the motivational impact of employee involvement is more important for success in the service sector than in the manufacturing sector. Accordingly, we expect:

***Hypothesis 5:** Amount of participation will be greater in the service sector than in the manufacturing sector.*

Organisational Size

Although it has been argued that the effect of size on levels of employee participation is unclear (Heller *et al*, 1998), most findings show that larger organisations adopt more participative management practices than do smaller organisations. The previously mentioned longitudinal survey of employee involvement found a significant

positive relationship between organisational size and employee participation practices (Lawler *et al*, 1995). Likewise, the aggregate result of surveys conducted in the UK between 1985 and 1991 showed a positive linear relationship between organisational size and number of involvement initiatives (Hyman and Mason, 1995). This may be due to the fact that larger organisations are more likely to adopt innovative practices and/or because they have greater motivational problems that they try to resolve through participative management. Hence we expect:

***Hypothesis 6:** Organisational size will be positively related to amount of participation.*

Strategy

Strategy represents an organisation's ultimate goal and determines its objectives. Contingency theories have shown that the effectiveness of different organisational structures and practices depends on business strategy (Delery and Doty, 1996; Doty, Glick and Huber, 1993; Miles and Snow, 1978). Hence, we propose that an organisation's business strategy will be related to the amount of participation that it adopts.

Cost Leadership. Organisations that follow a cost leadership strategy emphasise cost control and efficiency in order to be able to offer lower prices to their clients (Porter, 1980). An important factor in controlling costs is to minimise labour costs. When employees are viewed as a 'cost' they are treated as a factor of production. They tend to be closely monitored and are given little discretion in their jobs (Hyman and Mason, 1995). The time required for involving employees, for sharing information

and soliciting opinions, will also be considered a cost to the organisation. We therefore expect to find:

***Hypothesis 7:** The pursuit of a cost leadership strategy will be negatively related to amount of participation.*

Differentiation. An alternative strategy to cost leadership is one of differentiation (Porter, 1980). This strategy focuses on creating a product or service that is unique. Organisations may choose to be unique in a variety of ways. Two typical differentiation strategies are those of product quality and customer service. Most quality improvement programs are based upon the premise that both increased sharing of information and participation in decision-making is positively related to product reliability and quality (Beatty, 1991; Deming, 1986; Lawler *et al*, 1995). Thus we predict:

***Hypothesis 8:** The pursuit of a differentiation strategy based on quality will be positively related to amount of participation.*

Employee participation is also important for customer service. Increased information sharing should lead to better planning and problem solving which improve service delivery efficiencies. Customer satisfaction is further increased when employees are given the freedom to respond directly to their needs. Moreover, as previously mentioned, a positive relationship has been found between employee satisfaction and customer satisfaction and between participative management and employee satisfaction. Hence we propose the following:

***Hypothesis 9:** The pursuit of a differentiation strategy based on service will be positively related to amount of participation.*

Methodology

EPOC Survey

The EPOC survey was commissioned by the European Foundation for the Improvement of Living and Working Conditions. It was designed to determine the nature and extent of direct participation of employees in organisations across ten European countries: Denmark, France, Germany, Ireland, Italy, the Netherlands, Portugal, Spain, Sweden, and the UK. The gross sample of organisations included companies from manufacturing and services in the public and private sector. The number of organisations per country differed according to population size, the number of employees in industry and services, and average organisational size. Questionnaires were mailed to the general managers of 32,582 companies in June 1996. The final number of questionnaires returned was 5,786 for a response rate of 18%.

Measures

Dependent variable. The survey included 24 items pertaining to the practice of direct participation. Eight questions assessed the use of forms of consultative participation, such as regular meetings with one's immediate manager or attitude surveys. Sixteen questions assessed the use of delegative participation, such as having the right to make decisions regarding the improvement of work processes or how to deal with external clients. These items were aggregated to form a single measure of amount of participation (0-24).

Independent variables. The EPOC survey did not include measures of culture. One item identified the region in which the organisation was located and this was used to categorise organisations into one of ten countries. Each of the countries represented in the survey was included in Hofstede's original IBM study (Hofstede, 1980). Thus, the indices for power distance and uncertainty avoidance for each of the ten countries was added to the original EPOC data set.

Competition was assessed with one item that asked managers to describe the level of competition for the products and/or services of their company on a 1 to 4 scale ranging from no competition to both domestic and foreign competition. Trade union membership was assessed by one item that asked for the proportion of union members among employees in the largest occupational group. The survey asked respondents to categorise their organisation into one of 15 sectors. These 15 sectors were further categorised into the following five sectors: industry, construction, trade, private service and public service. The natural logarithm of number of employees was used to test for the effects of organisational size.

Three items assessed the business strategies included in the hypotheses. Each item asked respondents to rate on a 1-3 scale the importance (not important to very important) of the strategy for their company's competitive success. The first item assessed the importance of price, the second the importance of quality, and the third the importance of service.

Results

Hypothesised Results

Table 1 reports the means, standard deviations and correlations among all the study variables except for sector, which was a categorical variable. Linear regression

analysis was used to test for the predicted relationships between employee participation and the independent variables. The results appear in Table 2.

[Insert Table 1 about here]

[Insert Table 2 about here]

Contrary to our prediction, power distance was not related to employee participation, thereby failing to provide support for Hypothesis 1. On the other hand, as predicted, uncertainty avoidance was negatively related to amount of employee involvement ($\beta = -.10$, $p = .001$), thus supporting Hypotheses 2. As expected, competition was significantly related to participative management ($\beta = .16$, $p < .001$), providing support for Hypothesis 3. And a significant negative relationship was found between unionisation and amount of employee involvement ($\beta = -.06$, $p < .001$), thus supporting Hypothesis 4.

Sector was significantly related to participation ($\Delta R^2 = .04$, $F = 9.53$, $p < .001$). A comparison of means showed that the service sectors had higher levels of participative management than the manufacturing sectors, supporting Hypothesis 5. Specifically, the public and private services sectors had the most employee involvement ($m = 5.86$, $s.d. = 4.32$; $m = 5.80$, $s.d. = 4.54$), followed by the trade sector ($m = 5.74$, $s.d. = 4.15$). The lowest amounts of participation were found in the non-service sectors of industry ($m = 4.82$, $s.d. = 4.01$) and construction ($m = 4.29$, $s.d. = 3.97$). A test of effects showed that, in fact, service firms were more likely to engage in participative management than non-service firms ($t = 9.19$, $p < .001$). The relationship between organisational size and employee participation was not significant, failing to support Hypothesis 6.

Finally, all of the hypotheses regarding business strategy were supported. Organizations pursuing a cost leadership strategy had significantly lower amounts of employee involvement ($\beta = -.05$, $p < .05$), as predicted in Hypothesis 7. Whereas organizations following a differentiation strategy based on either quality or service adopted significantly higher levels of employee participation ($\beta = .11$, $p < .001$; $\beta = .06$, $p < .001$), thus supporting Hypotheses 8 and 9.

Exploratory Analyses

One of the two of the hypothesised relationships that was not supported was that of organisational size and amount of employee participation. As mentioned earlier, Heller *et al* (1998) stated that the effect of size on participative management practices is unclear. Therefore, we decided to explore this expected relationship in more depth. It could be that no relationship was found because the direction of the relationship between organisational size and employee involvement depends on the type of participation. That is to say, organisational size may be positively related to consultative participation yet negatively related to delegative participation.

As previously mentioned, large organizations may have motivational problems that consultative participation could help to solve. The affective models of participation would suggest that consultation be used to increase employee satisfaction. And in fact, one of the practices used significantly more in larger organisations according to Lawler *et al* (1995) was survey feedback, a practice most often used to assess attitudes and climate. On the other hand, it may be more difficult to manage delegative participation in a large organisation (Heller *et al*, 1998). Information sharing requires efficient communication and higher levels of trust. Smaller organisations tend to have more committed employees and open communications. The increased bureaucracy and impersonalisation of larger organisations may make the actual delegation of decision

making less likely. Thus, while consultative participation may be used to a greater extent in large organizations, delegative participation may in fact be used more in smaller organisations.

In order to test these predicted relationships two additional linear regression analyses were performed. In the first analysis consultative participation was entered as the dependent variable and organizational size as the independent variable, controlling for all of the previously studied variables of power distance, uncertainty avoidance, competition, unionisation, sector and the business strategies of price, quality and service. The second analysis was the same except that delegative participation was included as the dependent variable. The results of the analyses showed that, as expected, organisational size was positively related to consultative participation ($\beta = .10, p < .001$) and negatively related to delegative participation ($\beta = -.05, p < .001$).

Discussion

All but two of the hypothesized relationships were supported. Our results show that amount of employee participation is in part determined by the national culture in which an organization is located. Specifically, organizations from cultures with higher levels of uncertainty avoidance will tend to have less employee involvement than will organizations from low uncertainty avoidance societies. Cultures that dislike ambiguity and conflict will attempt to avoid the practice of participation because this opens the door for potential disagreements and unpredictable situations. On the other hand, it appears that the level of power distance experienced in different cultures does not influence amount of employee involvement adopted by organizations. This is an unexpected finding given that definitions of power distance often include a reference to the decision making style used by managers. It is generally believed that high power

distance cultures are more autocratic while less power distance societies practice more participative management. More research is needed to explore the relationship between power distance and employee involvement.

Both level of competition and the percent of employees belonging to a trade union were related to amount of employee participation. Most researchers agree that today's more competitive environment is one of the major causes of the increase in the use of participative management practices. This was clearly supported by our results, which showed a strongly significant positive relationship between competition and employee involvement. Although Strauss (1982) has argued that the traditional opposition of unions to participative management is disappearing, especially in Europe, our results do not support this idea. While unions may have more positive attitudes toward employee participation, a significant negative relationship between unionisation and employee involvement remains. Of course, this relationship could be due to other characteristics of organisations that tend to have high levels of union membership. Manufacturing companies are more likely to be unionised than service organizations, however, the relationship is significant even after the influence of sector is accounted for. Unionised organizations also tend to have lower-skilled employees. Perhaps participative management is used less frequently among lower-skilled workers.

It was just mentioned that sector influenced the use of participative management practices. As most scholars have suggested, organizations in the service sector have higher levels of employee participation than do businesses in the manufacturing sector. This is most probably due to the fact that organizations recognize the importance of having satisfied employees providing service to their customers. Finally, an organization's business strategy also determined amount of employee involvement. Organizations pursuing a cost leadership strategy had significantly lower levels of

participation, while those following differentiation strategies based on either quality or service adopted significantly more participative management practices. It appears that when cost is a priority, organizations are less willing to invest time in participative management practices. On the other hand, organizations understand that the use of employee participation can greatly improve the quality of their products and services.

Although the main hypothesis that organisational size would be positively related to employee involvement was not supported, further exploratory analyses showed that there is a significant positive relationship between organisational size and consultative participation and a significant negative relationship between size and delegative participation. This finding demonstrates the value of including different forms of employee participation in subsequent studies.

Conclusion

This study makes a number of contributions to the employee participation literature. First, it presents data from over 5,000 organisations across 10 European countries. This fills an important gap in this field, which until now has been dominated by studies based on data from US companies. A second contribution of the current study is its focus on the determinants, rather than the outcomes, of employee participation. While many hypotheses have been set forth, few empirical studies have explored the factors that influence amount of employee involvement. Our results show that the cultural dimension of uncertainty avoidance, competition, unionisation, sector and business strategy are all important determinants of participation.

A final contribution of our study is that it provides support for the conclusions of Cotton *et al* (1988) and Black and Gregersen (1997) that participation should be studied as a multidimensional construct. Although most of our results showed relationships

with participation in general, one variable was found to have a differential relationship with participation according to the form participation it takes. Organizational size was positively related to consultative participation yet negatively related to delegative participation. This finding demonstrates the importance of research that includes hypotheses and measures of different types of participation. Future studies are needed to explore other possible differences among the various types of employee participation.

Endnotes

- ¹ See “New forms of work organisation: Can Europe realise its potential?” prepared by the EPOC Project, 1997. Dublin, Ireland: European Foundation for the Improvement of Living and Working Conditions.

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Table 1
Means, Standard Deviations and Correlations among Study Variables

Variable	1	2	3	4	5	6	7	8	9	10
1. Participation										
2. Power distance	-.07									
3. Uncertainty avoidance	-.11	.83								
4. Competition	.05	.09	.04							
5. Unionisation	-.07	-.14	-.10	-.03						
6. Sector	.12	-.06	-.09	-.42	-.10					
7. Organisational size	.02	.09	.09	.15	.08	-.13				
8. Price strategy	-.05	-.02	-.02	.31	-.07	-.20	.09			
9. Quality strategy	.11	-.00	-.01	.05	-.01	.06	.04	.06		
10. Service strategy	.08	-.07	-.08	.01	-.03	.10	.04	.06	.23	
Mean	5.36	45.17	64.72	2.85	6.41	1.57	.79	2.66	2.89	2.78
Standard deviation	4.22	13.56	20.81	1.11	4.97	.50	.14	.57	.37	.45
Range	0-23	18-68	23-104	1-4	1-15	1-2	0-1	1-3	1-3	1-3

Correlations greater than .029 are significant at the .05 level.

Correlations greater than .034 are significant at the .01 level.

Table 2
Linear Regression on Participation

Variables	Standardized Beta	ΔR^2 (Adjusted ΔR^2)
Power distance	.05	
Uncertainty avoidance	-.10***	
Competition	.16***	
Unionisation	-.06***	
Sector ^a		.04***(.03)
Number of employees (log)	-.03	
Price strategy	-.05*	
Quality strategy	.11***	
Service strategy	.06***	
Full equation		.08***(.08)

^a Based on 14 dummy-coded variables.

* $p < .05$

** $p < .01$

*** $p < .001$